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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 12/22/09

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- (1) Noguchi heads to space station: Russia's ideas offer opportunities for learning
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Yomiuri:

- (1) Changing facade not enough for Japan Pension Agency
(2) Astronaut Noguchi's activities expected to usher in new space age

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- (1) Amendments to dispatched workers law run counter to protection of dispatched workers
(2) Child allowance system without income cap dangerous

Sankei:

- (1) Submission of statement by PM Hatoyama insufficient
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- (1) Japan Pension Agency must put customers first
(2) Develop oilfields in Iraq to help reconstruct the country

Akahata:

- (1) Economy deteriorating: Make efforts to create jobs and improve household finances

3) Prime Minister's schedule, December 21

NIKKEI (Page 2) (Full)
December 22, 2009

09:22 Met Minister for National Strategy Kan and Chief Cabinet Secretary Hirano, joined by Finance Minister Fujii, Senior Vice Finance Minister Noda, Administrative Vice Finance Minister Tango,

and Budget Bureau chief Katsu at the Prime Minister's Official Residence (Kantei). Fujii and Hirano stayed behind.
11:55 Met Fujii again, joined by Kan, Hirano, Noda, Tango, Katsu and Senior Vice Minister of the Cabinet Office Furukawa.
12:59 Met Kan and Hirano. Kan stayed behind.
13:51 Met Assistant Deputy Chief Cabinet Secretary Fukuda.
14:26 Met Environment Minister Ozawa, joined by Senior Vice Foreign Minister Fukuyama, Deputy Chief Cabinet Secretary Matsuno, and Deputy Minister for Foreign Affairs Sasae. Fukuyama, Matsuno, and Sasae stayed behind.
15:47 Met Yukio Okamoto, commentator on foreign affairs.
17:00 Met Kan, Fujii, Hirano, and Katsu. Fujii and Hirano stayed behind. Joined by DPJ Secretary General by Ozawa.
17:49 Met New Japan-China Friendship 21st Century Committee members, including Tokyo Stock Exchange President Taizo Nishimuro.
18:07 Met Kan, Fujii, and Hirano, joined by Furukawa. Kan and Hirano stayed behind.
20:51 Arrived at his official residential quarters.

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4) Gas tax to be kept in place, premier announces: No income limit to be set on child-raising allowance

NIKKEI (Top play) (Excerpts)
December 22, 2009

Prime Minister Yukio Hatoyama on the evening of Dec. 21 announced his decision to introduce a new system, after abolishing the existing provisional taxes, such as the gas taxes, when compiling the fiscal 2010 tax, so as to maintain the present level of tax revenues. The prime minister has thus responded to key requests filed by the Democratic Party of Japan (DPJ) in general outline. He also categorically noted that there would be no income limit for a monthly child-raising allowance. He will reach a decision on whether to introduce a global warming prevention tax (environmental tax) within a year. Now that major items in the annual code revision have been set, the government will adopt a tax code revision outline at a special cabinet meeting to be held on the afternoon of the 22nd. The prime minister will also aim at adopting the draft budget at a cabinet meeting this week.

Points of the prime minister's statement

(Provisional tax rate)

Q Abolish the system itself. However, the tax rate is to be maintained.

Q Call for a fresh measure worth 2 trillion yen aimed at turning around the economy.

(Monthly child-raising allowance)

Q Basically no income limit is to be set

Q Set up a system that will enable those who have declined to accept the allowance to donate the money to their local governments.

(Global warming prevention (environmental) tax)

Q Reach a decision, after looking into it over a year

(Cigarette tax)

Q The government's tax commission will reach a decision on the 22nd. The prime minister's own view is that there should be a hike.

(Tax deduction for dependents)

Q Reach a decision at a meeting of the basic policy ministerial committee on the 22nd.

5) DPJ's Ozawa says Japan should be more assertive in relations with U.S.

MAINICHI (Page 5) (Full)
December 22, 2009

During a recording session for a program on a commercial TV station on Dec. 21, Democratic Party of Japan (DPJ) Secretary General Ichiro Ozawa discussed the Japan-U.S. relationship in relation to the issue

of the relocation of the U.S. forces' Futenma Air Station (in Ginowan City, Okinawa). He said: "The biggest problem is that the Japanese government cannot speak up to the United States. The Liberal Democratic Party has always been that way and the U.S. is annoyed." He expounded on his pet theory that Japan's self-assertion will lead to the improvement of bilateral relations.

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Ozawa pointed out: "If there is no need for a large number of soldiers on the front lines of U.S. military bases, Japan should say so (to the U.S.). It should just say we will defend our own country properly or we will make international contributions." He indicated that it is important for the two countries to engage in discussions and fulfill their responsibilities.

6) Hiroshima, Nagasaki mayors ask foreign minister to make efforts toward adoption of protocol for abolition of nuclear weapons at NPT conference

ASAHI (Page 4) (Full)
December 22, 2009

Hiroshima Mayor Tadatoshi Akiba, Nagasaki Mayor Tomihisa Tagami, and the two cities' assembly chairmen met Foreign Minister Katsuya Okada on Dec. 21 and urged the government to press other countries to adopt the Hiroshima-Nagasaki Protocol that presents a plan for the abolition of nuclear weapons by 2020 during the Nuclear Nonproliferation Treaty (NPT) Review Conference to be held in May next year.

Nagasaki City Assembly Chairman Takashi Yoshihara cited Okada as responding, "We would like to consider it carefully and make efforts." The protocol was released in April 2008 by the conference of mayors for peace (chaired by Akiba) composed of 134 countries and areas. This August, the conference adopted a "Nagasaki appeal" aimed at the adoption of the protocol at the NPT review conference.

7) PM Hatoyama's former secretary to be indicted on Dec. 24 for falsification of political donation reports

NIKKEI (Page 1) (Full)
December 22, 2009

In connection with the falsification of political donation records by Prime Minister Yukio Hatoyama's political fund management body, the Yuai Seikei Konwakai, it was learned from an informed source on Dec. 21 that the Special Investigation Division of the Tokyo District Public Prosecutors Office has decided to indict without arrest his former government-paid first secretary, 59, who used to serve as an accounting officer. The former secretary has already been dismissed. Hatoyama and the current accounting officer will not be prosecuted due to insufficient evidence.

It appears that the Special Investigation Division has already completed its investigations and has obtained the approval of the Supreme Public Prosecutors Office and higher level offices on the timing for filing criminal charges, taking into account the political schedule.

According to the above source, the former first secretary received some 400 million yen from Hatoyama and his mother, 87, to fund the political activities of the Konwakai over five years until 2008. He falsely recorded these funds as donations from individuals or income from fundraising parties and is suspected of falsifying political donation reports.

The secretary received about 250 million yen from Hatoyama's personal funds from Rokko Shokai (in Minato Ward, Tokyo), a company that manages the Hatoyama family's assets, and a total of about 900

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million yen from Hatoyama's mother.

In a report that Hatoyama submitted to the prosecutors, he denied any involvement in this affair. It is believed that after criminal charges are filed, Hatoyama will admit that funds from his mother were legally a gift and will file a revised income tax return.

8) Upper House member Hasegawa intends to leave LDP

NIKKEI (Page 1) (Full)
December 22, 2009

Tamon Hasegawa, a House of Councillors member belonging to the main opposition Liberal Democratic Party (LDP), decided yesterday to bolt the LDP. He intends to carry out political activities as an independent for the time being while distancing himself from the ruling Democratic Party of Japan (DPJ). He was elected for the first time in 2007 from the Upper House Ibaraki constituency. Hasegawa has reacted strongly to the fact that Kishiro Nakamura, a former construction minister, who won the Lower House Ibaraki No. 7 district seat by defeating an LDP candidate, formed a joint parliamentary group with the LDP as a member of the Japan Renaissance Party.

Hasegawa will be the second incumbent Diet member to leave the LDP since the LDP suffered a crushing defeat in the August Lower House election, following Upper House member Kotaro Tamura.

9) New government in process of trial and error: JBF Chair Mitarai

NIKKEI (Page 5) (Full)
December 22, 2009

When asked by reporters about the sharp drop in public support rates for the cabinet of Prime Minister Yukio Hatoyama, Fujio Mitarai, chairman of the Japan Business Federation (JBF or Nippon Keidanren) responded by saying, "I think since he has assumed the reins of government for the first time, he is now in a process of trial and error."

In connection with the relationship between the manifesto (policy platform) pledged in the latest House of Representatives election and Hatoyama's actual policy management, Mitarai said, "In reality, there are gaps. That has affected the plunge in support rates." He also pointed out, "If he provides clear explanations to the public and if the people are convinced, the situation will change."

10) Yomitan mayor asks National Safety Commission chairman for handover of U.S. serviceman

MAINICHI (Page 29) (Full)
December 22, 2009

Hiromi Nagano

A U.S. Army staff sergeant is suspected of involvement in an incident in which a 66-year-old man was killed after being run down in the village of Yomitan, Okinawa Prefecture. In this connection, Yomitan Mayor Keizo Yasuda and others on Dec. 21 called on National Public Safety Commission Chairman Hiroshi Nakai at the National Police Agency and handed him a letter seeking a review of the Japan-U.S. Status of Forces Agreement and the early handover of the

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suspect.

The letter of protest was adopted at a rally protesting the fatal hit-and-run incident involving the U.S. service member, held on Dec. 13 in the village by the executive committee chaired by Yasuda.

In his meeting with Nakai, Yasuda conveyed to the safety commission chairman the villagers' angry voices seeking the handover of the custody of the suspect and his prosecution. In response, Nakai explained: "We must produce hard evidence that can stand trial without a confession. We will spend time to collect evidence. We are not giving special consideration to this case."

Yasuda and others also visited the Prime Minister's Official

Residence (Kantei) and others places to make similar requests.

11) FM Okada voices concern about Iran's development of nuclear arms at meeting with top Iranian nuclear negotiator

NIKKEI (Page 2) (Full)
December 22, 2009

Foreign Minister Katsuya Okada met Secretary Saeed Jalili of the Iranian Supreme National Security Council at the Iikura Guesthouse in Tokyo on Dec. 21. Okada expressed concern on Iran's rejection of the proposal of the International Atomic Energy Agency (IAEA) to move its low-enriched uranium out of the country. Regarding cooperation between Japan and Iran in the future, Okada said: "The present situation in the international community renders the promotion of cooperation difficult."

Jalili emphasized that "(Iran) is seriously opposed to nuclear weapons." Jalili is Iran's top nuclear negotiator. He is on a visit to Japan at Japan's invitation. Okada and Jalili also exchanged views on Afghan aid and North Korea's development of nuclear arms. Okada pointed out that "the international community has serious concerns about Iran's relations with North Korea." Jalili responded: "We criticize North Korea's military use of nuclear energy. The abduction issue should also be resolved internationally."

Jalili will visit the nuclear power station in Kashiwazaki City in Niigata on Dec. 23 and the Peace Memorial Museum in Hiroshima City on Dec. 24. In connection with the visit to Hiroshima, Okada said: "I hope you will go and see the tragedy caused by nuclear weapons."

12) "We are ready to act promptly if necessary," says Bank of Japan governor

NIKKEI (Page 5) (Excerpts)
December 22, 2009

Appearing on TV Tokyo's news show "World Business Satellite," Bank of Japan (BOJ) Governor Masaaki Shirakawa on the evening of Dec. 21 said that the BOJ is ready to act promptly and boldly if it becomes necessary to do so in order to prevent falling prices and a deflationary spiral. He thus indicated that he is prepared to adopt additional monetary easing measures if abnormal developments are observed in the financial market. He also stressed his determination to tenaciously maintain the current basically zero-interest rate situation.

Regarding the specific details of the next measure to be taken,

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Shirakawa simply said, "We are always looking into what measures would be most suitable, while referring to various measures the BOJ took in the past, policies other countries are adopting, and their effects."

After indicating his policy of undergirding the economy with monetary measures, Shirakawa said that the fundamental cause of the deflation is a shortage of demand. He expressed hope for the government's growth strategy. He underscored that the most important policy is not only generating short-term demand, but also making people feel that their income will increase in the future.

He also stressed that groundless pessimism is dangerous, warning that if an excessively pessimistic view about the future of the economy becomes rampant, it will undermine growth.

13) Japan posts trade surplus with U.S., increasing for first time in 2 years and three months

SANKEI (Page 10) (Full)
December 22, 2009

According to trade statistics for November released by the Finance Ministry, the nation's trade balance, determined by deducting the amount of imports from the amount of exports, came to 373.9 billion yen. Japan has posted a trade surplus for 10 consecutive months. In

the same month of the previous year, Japan posted a trade deficit of 227.5 billion yen. Japan's trade surplus with the U.S. increased after a hiatus of two years and three months or for the first time since August 2007, reaching 404.5 billion yen, up 10.6 percent.

14) Foreign visitors to Japan in November up for first time in 16 months

NIKKEI (Page 5) (Full)
December 22, 2009

Foreign visitors to Japan increased 2.1 PERCENT over the same month a year ago to 565,000 in November, marking the first climb in 16 months since July 2008, according to data released yesterday by the Japan National Tourism Organization. This rise is attributed to improving economic conditions in South Korea and Australia. Meanwhile, Japanese travelers overseas inched up 0.7 PERCENT to 1.273 million in the same month, recording the fourth consecutive monthly upturn. But the total number of foreign tourists during the period between January and November in 2009 was 6.1626 million. The number (of foreign visitors in 2009) will likely fall short of 7 million for the first time in four years.

15) In working-level talks, South Korea presents problems to be solved for resuming EPA negotiations

NIKKEI (Page 7) (Full)
December 22, 2009

Yamaguchi, Seoul

The governments of Japan and South Korea held the second round of working-level talks by their deputy-director-level officials at the Foreign Ministry in Seoul, aimed at resuming governmental negotiations on concluding a bilateral economic partnership agreement (EPA). South Korean representatives mainly presented

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specific problems to solve, such as its trade deficit with Japan and Japan's entry regulations. Japanese representatives promised to take measures to deal with such problems at an early date. A negotiator said: "Both sides were able to deepen mutual trust and understanding." However, such specific items as the timing for the next round of negotiations were not decided during the talks.

16) Japanese group now eager to invest in reconstruction of Iraq

NIKKEI (Page 3) (Full)
December 22, 2009

Hirofumi Matsuo, Dubai

Japanese firms are greatly interested in demand for reconstruction in Iraq. The Japan-Iraq Economic Forum's meeting was held in Baghdad on Dec. 20 and in Basra on the 21, in which a group consisting of more than 100 people, including company executives from petroleum, trading, plant and machinery firms, participated from Japan.

"We want Japanese firms to invest in Iraq and compete with companies from other countries," Iraqi Prime Minister Nouri al-Maliki said at the meeting. In response, Nippon Oil Corp. Chairman Fumiaki Watari, who also serves as vice chairman of the Japan Business Federation, remarked: "We have the world's highest-level technology, so this meeting will provide an opportunity for Japan's comeback in the Iraqi market."

During the Iraq war and the postwar confusion, "Japanese firms completely lagged behind other countries' companies, because they avoided risk," said Foreign Policy Institute President Kunihiro Miyake, who attended the meeting. But momentum is finally building up for Japanese companies to grope for chances to invest in Iraq. Marubeni Corp. has agreed to cooperate in increasing production efficiency at obsolete fertilizer and cement plants. Toyota Tsusho Corporation received orders from the Iraqi Ministry of Electricity in October for power-supply equipment, including eight transformer apparatuses, chalking up its first business results in rebuilding

Iraq. In addition, the Japanese government has decided to offer yen loans worth more than 3.2 billion dollars for reconstruction projects.

The biggest obstacle to Japanese firms' advancement to Iraq is the deteriorating security situation. In Baghdad, foreigners move about in bulletproof car with guards. The forum was held at Baghdad International Airport for security reasons. Yoshihiko Shimazu, advisor to Sumitomo Corp., however, said: "When the security situation is completely recovered, nothing will be left to do." JGC Corp. President Masahiko Yaegashi commented: "It is now the right time to consider how Japanese firms should enter the Iraq market."

17) Poll analysis: DPJ enjoys steady support, backed by elderly women

ASAHI (Page 1) (Abridged)
December 22, 2009

The popularity of Prime Minister Hatoyama and his cabinet is on the decline. His ruling Democratic Party of Japan, on the other hand, stands at 42 PERCENT in terms of public support for political parties and the opposition Liberal Democratic Party at 18 PERCENT. The Asahi Shimbun has conducted four public opinion surveys since

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the Hatoyama cabinet came into office. In the latest survey, the DPJ upheld its public support in the 40 PERCENT range, outdistancing the LDP that has been in the 10 PERCENT range. In particular, elderly women have markedly changed their support for political parties since the Hatoyama cabinet's inauguration and strongly back the DPJ-led ruling coalition. This remains the foundation of the DPJ's high popularity.

In an Asahi Shimbun exit poll of voters in the Aug. 30 general election, the proportion of those who voted for the LDP among its supporters was only 54 PERCENT, with 30 PERCENT of them casting their votes for the DPJ.

When the LDP was at the helm, public voting behavior that seemed to be aimed at punishing the LDP was seen in past elections. This time around, however, the survey shows no signs of public support for the LDP rebounding. Even among those who voted for the LDP in this summer's general election, many have presumably switched to supporting the DPJ.

18) Poll: Hatoyama cabinet eclipsed as "short-lived"

SANKEI (Page 3) (Abridged)
December 22, 2009

The Hatoyama cabinet's support rate nosedived in the latest public opinion survey jointly conducted by the Sankei Shimbun and Fuji News Network (FNN). "The cabinet is about to enter the danger zone," says Banri Kaieda, deputy chair of the ruling Democratic Party of Japan's Election Campaign Committee. The cabinet's support rate is now over 40 PERCENT, which can be taken to indicate a further drop in its public approval rating. Meanwhile, Prime Minister Yukio Hatoyama has submitted a statement to the Tokyo District Public Prosecutors Office over his fund-managing body's alleged falsification of political fund reports. "We may not be able to fight the campaign battle for next summer's election for the House of Councillors," a DPJ lawmaker seated in the House of Councillors said, even implying that the Hatoyama cabinet could be short-lived.

19) Poll: Cabinet support tumbles to 51 PERCENT, nonsupport rate tops 40 PERCENT for first time

SANKEI (Page 1) (Abridged)
December 22, 2009

The Sankei Shimbun and Fuji News Network (FNN) conducted a joint public opinion survey on Dec. 19-20, in which the public disapproval rating for the Hatoyama cabinet topped 40 PERCENT for the first time, rising 17.5 percentage points from the last survey conducted Nov. 21-22 to 40.4 PERCENT. The approval rating narrowly topped 50

PERCENT , scoring 40.4 PERCENT . However, it posted a sharp drop of 11.5 points from 62.5 PERCENT in the last survey. The public seems to be very critical of Prime Minister Yukio Hatoyama's statements and actions concerning the pending issue of relocating the U.S. military's Futenma airfield and the process of compiling next fiscal year's budget.

In the breakdown of public support for political parties, the ruling Democratic Party of Japan stood at 37.2 PERCENT , down 2.5 percentage points from the last survey. The opposition Liberal Democratic Party rose 1.9 points to 19.2 PERCENT . The DPJ's two coalition partners, the Social Democratic Party and the People's New

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Party, were both weak, with the SDP at 1.8 PERCENT and the PNP at 0.7. The New Komeito was at 2.8 PERCENT and the Japanese Communist Party at 3.3 PERCENT .

20) Government to implement full income indemnity system in line with DPJ's wishes placing importance on agriculture with eye on Upper House election

NIKKEI (Page 5) (Excerpts)
December 22, 2009

The government has decided to include in the fiscal 2010 budget the full amount of expenses (totaling 561.8 billion yen) connected with an income indemnity system for individual farm households, as requested by the Ministry of Agriculture, Forestry, and Fisheries (MAFF). This is because the Democratic Party of Japan called, in its budgetary and tax system reform priority requests presented earlier, for securing the funds necessary for the early implementation of the income indemnity system. Although Japan will shift its agricultural policy toward covering income directly with public funds, there is concern that this might block the improvement of production efficiency resulting from large-scale farming.

There is a possibility that the farmer income subsidy system will prompt wholesalers and others to call for lowering rice prices and result in a smaller burden on consumers. At the same time, there is criticism about giving preferential treatment to farmers alone by using tax money. MAFF plans to expand the targets for subsidies to include fruit and other products in fiscal 2011 and beyond.

The income-subsidy system for farmers is composed of two pillars: a model rice project (344.7 billion yen) and rice paddy changeover support (217.1 billion yen). The model project is designed to supply the fixed-amount portion that is obtained based on the difference between the average production cost for the last several years and the sales price, and to pay for the additional variable portion in case rice prices decline substantially. But in order to be subject to this project, production targets set by the government must be met. The project therefore will effectively be a farmer rice acreage reduction selection system.

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